

Message Text

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PAGE 01 BONN 10033 131741Z

64

ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 SCEM-02 INT-08 AEC-11 PA-03 PRS-01 USIA-12

RSR-01 /185 W

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R 131733Z JUL 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6277

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMCONSUL ZAGREB

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

C O N F I D E N T I A L BONN 10033

E.O. 11652: GDS

TAGS: EFIN, ETRD, GW

SUBJECT: FRG INTEREST RATE SUBSIDY

REF: A. BONN 9694; B. BELGRADE 3065

OUR REPORT IN REFTEL A THAT FRG, IN IMPENDING REVIEW
OF ITS POLICY ON SUBSIDIZED INTEREST RATES,
COULD POSSIBLY EXTEND SUCH RATES FOR ENERGY AND RAW
MATERIALS PROJECTS, REFERRED TO SUCH PROJECTS WHICH
WOULD ENHANCE THE FRG'S SUPPLY OF ENERGY AND RAW
MATERIALS SUPPLY. WHILE CONCESSIONAL INTEREST RATES
APPLIED IN SUCH INSTANCES WOULD THUS PRESUMABLY NOT
INCLUDE POWER PROJECTS SUCH AS THE KRSKO NUCLEAR POWER
PLANT ON WHICH GERMAN FIRMS WERE COMPETING WITH OTHER
BIDDERS, WE COULD NOT RULE OUT ENTIRELY POSSIBILITY

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PAGE 02 BONN 10033 131741Z

THAT FRG MIGHT FIND SOME JUSTIFICATION FOR EXTENDING
SUCH RATES, ALTHOUGH IT TOUTS ITS ALLEGED POLICY OF

BASIC OPPOSITION TO SUBSIDIZED INTEREST RATES IN TRADE WITH COUNTRIES OTHER THAN LDC'S. AS INDICATED IN REF A, THE FRG IS CURRENTLY NOT INCLINED TO TREAT EASTERN EUROPEAN COUNTRIES AS LDC'S FOR INTEREST RATE PURPOSES. IN CASE OF YUGOSLAVIA, HOWEVER, THE ELEMENT OF FRG "HIDDEN REPARATION PAYMENTS" MIGHT BE ONE ELEMENT AMONG THE CONSIDERATIONS THAT WOULD ENTER INTO THE EQUATION. ANOTHER MIGHT BE THE FRG'S EXPRESSED CONCERN OVER THE EXIMBANK'S SIX PERCENT RATE AND THE COMPETITIVE REQUIREMENT OF GERMAN FIRMS TO MATCH IT. AS ADDRESSEES ARE AWARE, THE FRG HAS FOR SOME TIME NOW BEEN ON "WARPATH" AGAINST EXIMBANK'S SIX PERCENT RATE, WHICH IT REGARDS, UNDER CURRENT WORLDWIDE MONEY MARKET CONDITIONS, AS AN UNWARRANTED SUBSIDY RATE WHEN IT IS EXTENDED TO RECIPIENTS IN COUNTRIES WHICH COULD NOT BE CLASSED AS LDC'S.

HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BONN10033
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS HILLENBRAND
Errors: N/A
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730736/aaaabagt.tel
Line Count: 78
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 A. BONN 9694; B. BELGRADE 3065
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 13 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13-Aug-2001 by shawdg>; APPROVED <10-Sep-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRG INTEREST RATE SUBSIDY
TAGS: EFIN, ETRD, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005